



MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION

17584 LAUREL PARK DRIVE NORTH, LIVONIA, MI 48152-3982

(734) 953-2779 FAX (734) 953-9511

BACKGROUND INFORMATION

Organizational History

Michigan Catastrophic Claims Association ("MCCA") was established by Public Act 136 of 1978, which amended the no-fault law by adding Section 3104 effective July 1, 1978. The Legislature created MCCA because smaller insurance companies had difficulty obtaining reinsurance for Michigan's automobile no-fault policies, which provided for unlimited lifetime medical benefits for people who are catastrophically injured in auto accidents.

The MCCA is an unincorporated non-profit association of which every insurer that sells automobile or motorcycle coverage in Michigan is required to be a member.

The MCCA is funded by an annual premium assessment to its members on each of their policies covering automobiles and motorcycles written in Michigan. The MCCA is required to assess an amount each year that is sufficient to cover the lifetime claims of all persons catastrophically injured in that year and in addition, may adjust future assessments for excesses or deficiencies in prior assessments.

These assessments provide funds for the indemnification of those members against ultimate loss sustained under statutory required personal protection insurance in excess of the applicable amount set forth in section 3104(2) of the Michigan Insurance Code. Beginning July 1, 2002, as the result of the enactment of Public Act 3 of 2001, the member retention level increased from \$250,000 to \$300,000 and will then gradually increase on an incremental basis over a ten year period until a \$500,000 level is reached on July 1, 2011. Thereafter, beginning July 1, 2013, the retention will be increased each odd numbered year by 6% of the consumer price index, whichever is less.

Organizational Structure

MCCA is governed by a Board of Directors which consists of five members appointed by the Commissioner of the Michigan Office of Financial and Insurance Services. The Commissioner, or his/her representative, serves as an ex officio member of the Board.

The following standing committees provide assistance in the operation of the MCCA: (1) actuarial, (2) audit, (3) claims, (4) investment, and (5) personnel.

A staff of 22 employees handles the day to day operations and includes:

- Executive Director
- Controller
- Assistant Controller
- Claim Supervisor
- Information System Manager
- 12 Claim Examiners
- Accountant
- Administrative Assistant
- 3 Claim Technicians

MCCA contracts for the following services: (1) actuarial, (2) annual audit by independent accountant, (3) legal, (4) investment consulting and management, and (5) payroll.

Reporting Requirements

MCCA is subject to all the reporting, loss reserve, and investment requirements of the Michigan Commissioner of Insurance to the same extent as would a member of the Association. MCCA's financial statements are prepared on the basis of statutory accounting practices as prescribed or permitted by the State of Michigan Office of Financial and Insurance Services ("OFIS"). The Association's fiscal year is on a June 30 basis.

An annual audit of MCCA's financial statements is conducted by the independent accounting firm PricewaterhouseCoopers LLP. In addition, pursuant to Section 3104(23) of the Michigan Insurance Code, the commissioner or an authorized representative of the commissioner may visit the association at any time and examine any and all the association's affairs. In the past five years, OFIS had conducted a financial examination of MCCA for the fiscal years ended June 30, 2002 and June 30, 2006.

MCCA Documents Available on OFIS Website

The following MCCA documents are available on the website maintained by OFIS:

- Annual Statement
- Statement of Actuarial Opinion issued by MCCA's Actuarial Consultant
- Report of Financial Examination issued by MCCA's independent accountant
- Plan of Operation



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Financial & Statistical Highlights

	As of June 30,		Change
	2007	2006	
Cash and Invested Assets	\$10,676,686,000	\$9,266,887,000	\$1,409,799,000
Total Assets	10,725,571,000	9,306,727,000	1,418,844,000
Total Loss & Loss Adjustment			
Expense Reserves (discounted basis)	11,107,463,000	10,662,725,000	444,738,000
Total Liabilities	11,358,221,000	10,923,680,000	434,541,000
Total Deficit	(\$632,650,000)	(\$1,616,953,000)	\$984,303,000
Claims Reported	21,272	20,039	1,233
Claims Closed	10,191	9,405	786
Claims Open	11,081	10,634	447
Number of Claims Reimbursed	9,270	8,573	697
Amount of Reimbursements	\$5,734,886,000	\$5,065,922,000	\$668,964,000
Undiscounted (gross) Loss Reserves	58,158,233,000	51,995,586,000	6,162,647,000
Discounted Loss Reserves	10,977,439,000	10,640,609,000	336,830,000
	12 Months Ended June 30,		Change
	2007	2006	
Assessments Earned	\$975,104,000	\$967,228,000	\$7,876,000
Loss & Loss Adjustment			
Expenses Incurred (discounted basis)	1,116,053,000	970,959,000	145,094,000
Other Underwriting Expenses Incurred	1,135,000	915,000	220,000
Net Underwriting Loss	(142,084,000)	(4,646,000)	(137,438,000)
Net Investment Gain	751,025,000	372,376,000	378,649,000
Net Income	608,970,000	108,431,000	500,539,000
Change in Net Unrealized Gains (Losses)	377,840,000	99,416,000	278,424,000
Decrease in Deficit	\$984,303,000	\$472,698,000	\$511,605,000
Claims Reported			
Brain	499	443	56
Quad	27	46	(19)
Para	27	22	5
Burn	2	2	0
Miscellaneous	678	631	47
Total	1,233	1,144	89
Claims Closed	786	997	(211)
Number of Initial Claims Reimbursed	697	748	(51)
Amount of Reimbursements	\$668,964,000	\$647,303,000	\$21,661,000
Average Monthly Reimbursements	\$55,747,000	\$53,941,917	\$1,805,083

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ASSESSMENT HISTORY

JULY 1, 1978 THROUGH JUNE 30, 2008

ASSESSMENT NUMBER	PERIOD (1)	MONTHS (2)	ASSESSMENT PER CAR				HISTORICAL VEHICLE 20% X (6) (7)	NUMBER OF EXPOSURES (8)
			PURE PREMIUM (3)	(SURPLUS) DEFICIT ADJ. (4)	ADMIN. EXPENSE (5)	TOTAL ASSESSMENT (3)+(4)+(5) (6)		
1	7-1-78 TO 6-30-79	12	\$3.00	\$0.00	\$0.00	\$3.00		5,151,000
2	7-1-79 TO 12-31-79	6	6.28	5.40	0.00	11.68		2,599,000
3	1-1-80 TO 12-31-80	12	6.36	(0.36)	0.00	6.00		5,184,000
4	1-1-81 TO 12-31-81	12	7.14	(0.58)	0.20	6.76		5,449,000
5	1-1-82 TO 12-31-82	12	6.64	(0.81)	0.10	5.93		5,321,000
6	1-1-83 TO 12-31-83	12	7.55	(2.12)	0.10	5.53		5,332,000
7	1-1-84 TO 12-31-84	12	8.24	(2.44)	0.11	5.91		5,490,000
8	1-1-85 TO 12-31-85	12	10.55	1.40	0.10	12.05		5,588,000
9	1-1-86 TO 12-31-86	12	11.24	3.07	0.09	14.40		5,788,000
10	1-1-87 TO 12-31-87	12	15.77	6.81	0.09	22.67		5,967,000
11	1-1-88 TO 12-31-88	12	24.41	8.10	0.09	32.60		5,975,000
12	1-1-89 TO 12-31-89	12	33.44	10.12	0.09	43.65		5,991,000
13	1-1-90 TO 12-31-90	12	48.12	18.37	0.15	66.64		6,052,000
14	1-1-91 TO 12-31-91	12	68.33	32.50	0.17	101.00		5,967,481
15	1-1-92 TO 12-31-92	12	77.69	32.77	0.12	110.58		5,926,847
16	1-1-93 TO 12-31-93	12	90.43	28.14	0.12	118.69		5,999,668
17	1-1-94 TO 12-31-94	12	98.71	16.89	0.12	115.72		6,112,500
18	1-1-95 TO 12-31-95	12	98.07	(1.24)	0.12	96.95		6,237,326
19	1-1-96 TO 12-31-96	12	87.53	(15.06)	0.10	72.57		6,369,865
20	1-1-97 TO 12-31-97	12	62.03	(47.19)	0.10	14.94		6,566,194
21	1-1-98 TO 12-31-98 (1)	12	63.87	(58.37)	0.10	5.60		6,700,000
22	1-1-99 TO 12-31-99	12	56.31	(50.81)	0.10	5.60		6,850,000
23	1-1-00 TO 12-31-00	12	52.30	(46.79)	0.09	5.60		6,851,000
24	1-1-01 TO 12-31-01	12	61.53	(47.21)	0.09	14.41		7,019,780
25	1-1-02 TO 6-30-02	6	71.05	0.00	0.10	71.15		3,498,672
26	7-1-02 TO 6-30-03	12	68.90	0.00	0.10	69.00		7,089,142
27	7-1-03 TO 6-30-04	12	79.30	20.80	0.10	100.20	20.04	7,101,583
28	7-1-04 TO 6-30-05	12	95.93	31.21	0.10	127.24	25.45	7,104,667
29	7-1-05 TO 6-30-06	12	116.43	25.17	0.10	141.70	28.34	7,092,872
30	7-1-06 TO 6-30-07	12	113.48	23.75	0.10	137.33	27.47	7,036,000 (2)
31	7-1-07 TO 6-30-08	12	106.63	16.42	0.10	123.15	24.63	6,981,000 (2)

(1) IN 1998 A RETURN OF SURPLUS OF \$180 PER CAR (\$1.2 BILLION IN TOTAL) WAS MADE

(2) ESTIMATED